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Edmonton, Alberta T6G 2R6



AdWall Capital Corp.
Capital Corp.

Annual Report 1995

Message to Shareholders

We are pleased to present this first annual report of your Company. The business of your Company can be summarized in two words: **"Digital Convergence"** which describe the heart of the product, the service, the competitive advantage and the marketing strategy of your Company.

Digital speaks to incomparable flexibility, speed and efficiency, the quality and impact of images, the power of information and the way it is changing the face of business. It is networks of networks meshing sales data and inventory information with an advertising opportunity that can create value from that information now. It is managing bits of information, not atoms of a product.

Convergence speaks to the value of getting the right message to the right audience at the right time - the power of current information, the value of altering today's message to fit today's situation, recognizing the issues created by compressed product life cycles and the new challenges facing today's brand and product managers. It is presenting the opportunity to respond.

Digital convergence is about to change the nature of out of home advertising, particularly point-of-purchase messaging both in-mall and in-store. WOW | media (AdWall's new operating trade name) is initiating the revolution now by implementing our registered and trade marked proprietary software WOW | maker and WOW | buyer; initially in the Canadian mall network, and then by aggressively adding networks whenever and wherever possible.

1995 has been a year of laying a groundwork, creating the infrastructure to propel your Company into a leadership role as an alternative out of home advertising medium. A lengthy program of product evaluation with Cambridge Shopping Centres Ltd. resulted in the creation of a national network opportunity.

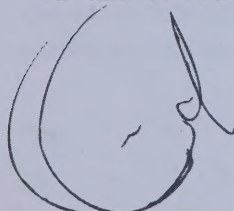
Subsequent to December 31, 1995, contracts were finalized with Cambridge Leaseholds Ltd. which provide AdWall an exclusive opportunity to install a national digital advertising network in shopping malls from coast to coast for a term of five years. Concurrently a contract was concluded with T-Ad Ltd. of Toronto to remove their mall poster units from the properties and to move into the digital age by acting as AdWall's exclusive sales agent for the national network.

Management is moving aggressively to create additional network opportunities, particularly as an in-store point of purchase medium. Negotiations have been initiated in the United States with leading in-store marketing firms with access to thousands of facilities.

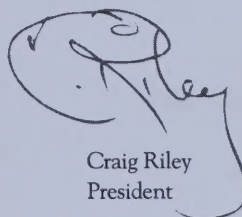
In an effort to retain leading edge status in display technology, your Company is negotiating with the premier firms currently developing plasma display panels (flat screens). These flat panels signal a departure from traditional CRT (cathode ray tube) monitors and present an opportunity for installation as point of sale vehicles in facilities otherwise not accessible due to space restrictions.

Management greatly appreciates the patience and dedication shown by our shareholders over this formative year. We look forward to great growth opportunities in the upcoming fiscal period.

On behalf of the Board of Directors,

A stylized, handwritten signature in black ink, consisting of a large, sweeping loop followed by a smaller, more intricate flourish.

Michael MacDonald
Chairman

A handwritten signature in black ink, featuring a large, bold 'C' followed by a series of loops and a long, trailing flourish.

Craig Riley
President

Adwall Capital Corp.

Corporate History

AdWall Capital Corp. was incorporated as 628839 Alberta Inc. under the Business Corporations Act of Alberta on October 18, 1994. On March 24, 1995 the Company concluded a public offering of Common Shares pursuant to the Junior Capital Pool program of The Alberta Stock Exchange and the Alberta Securities Commission. The Company changed its name to Adwall Capital Corp. on January 10, 1995. The Company commenced operations effective July 6, 1995 on the completion of its major transaction, being the acquisition of 83.6% of the outstanding shares of AdWall Advertising Systems Corporation. AdWall trades under the symbol WOW on The Alberta Stock Exchange.

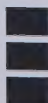
Development History

The AdWall development team has been working on the concept of a digital display system as an advertising medium since March 1993. The original concept consists of a matrix of 4x4 28" monitors to form a literal "wall" of monitors. This concept was beta tested in the Vancouver, Montreal and Toronto airports in 1994.

In March of 1995, the Company entered into a relationship with Cambridge Shopping Centres Ltd. that involved installation in the Chinook Shopping Centre in Calgary where the most effective configuration was found to be a single column of three monitors on a base unit with a total height of approximately seven feet. As the product evolved from a wall to a column, and its application reached beyond advertisements to promotional campaigns, the product's tradename was changed to WOW | media.

The testing not only allowed for the concept itself to be assessed, but provided opportunity to measure its technical performance. The ability of AdWall's proprietary software to effectively transmit and control the digital images on different columns has exceeded all expectations.

AdWall has recently executed an exclusive, five year contract with Cambridge Shopping Centres Ltd. to place approximately 550 WOW | media digital display columns in forty-one shopping malls across Canada. As implementation of the national network begins, we are discovering new and exciting opportunities for advertising and networking. WOW | media is rapidly moving into the retail marketplace, aligning itself with large marketing spaces, smaller specialized retail spaces, malls and multi-store chains. Tapping into the new world economy with its reliance on digital information and knowledge-based applications, WOW is currently in a prime strategic position to change the way retailers and manufacturers advertise products and services.



Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of AdWall Capital Corp. as at December 31, 1995 and 1994 and the consolidated statements of operations and deficit and changes in financial position for the year ended December 31, 1995 and the six-month period ended December 31, 1994. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the year ended December 31, 1995 and the six-month period ended December 31, 1994 in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne

Chartered Accountants

Calgary, Canada

March 1, 1996

Consolidated Balance Sheets

December 31, 1995 and 1994

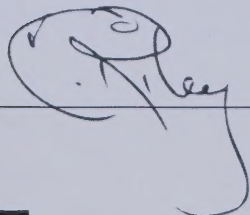
	1995	1994
Assets		
Current assets:		
Cash and term deposits	\$ 87,277	\$ 242,868
Accounts receivable	102,374	26,145
Prepaid expenses	1,858	17,428
	191,509	286,441
Capital assets (note 3)	55,853	81,629
Deferred development costs (Schedule)	1,424,309	1,422,323
	\$ 1,671,671	\$ 1,790,393

Liabilities and Shareholders' Equity

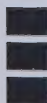
Current liabilities:		
Accounts payable	\$ 144,991	\$ 193,922
Note payable	—	225,000
	144,991	418,922
Minority interest	147,345	208,780
Shareholders' equity:		
Share capital (note 4)	3,065,991	2,483,044
Deficit	(1,686,656)	(1,320,353)
	1,379,335	1,162,691
Commitment (note 7)		
Contingency (note 8)		
Subsequent events (note 9)		
	\$ 1,671,671	\$ 1,790,393

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director



Consolidated Statements of Operations and Deficit

	Year ended Dec. 31, 1995	Six months ended Dec. 31, 1994
Operating costs:		
Consulting fees, salaries and benefits (<i>note 5</i>)	\$ 151,154	\$ 209,621
Professional fees	81,018	35,497
Travel and promotion	72,973	19,670
Telephone and communications	28,090	2,781
Rent and utilities	23,292	32,930
Wall space demonstrations	21,611	49,279
Depreciation	19,297	22,889
Bad debts	13,878	—
Interest expense, net	9,802	28,152
General office	6,623	21,559
Market analysis and advertising	—	104,055
Net loss before minority interest	427,738	526,433
Minority interest	(61,435)	(86,442)
Net loss	366,303	439,991
Deficit, beginning of period	1,320,353	880,362
Deficit, end of period	\$ 1,686,656	\$ 1,320,353
Loss per Common Share	\$ 0.04	\$ 0.06

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

	Year ended Dec. 31, 1995	Six months ended Dec. 31, 1994
Cash provided by (used in):		
Operations:		
Net loss	\$ (366,303)	\$ (439,991)
Items not involving cash:		
Minority interest	(61,435)	(86,442)
Depreciation	19,297	22,889
Net change in non-cash working capital balances relating to operations	14,038	32,742
	(394,403)	(470,802)
Investing:		
Proceeds on the disposal of capital assets	6,479	—
Deferred development costs	(1,986)	(180,989)
Acquisition of capital assets	—	(7,408)
Net change in non-cash working capital balances relating to investing	(53,628)	291,227
	(49,135)	102,830
Financing:		
Issue of share capital, net of issue costs	582,947	105,000
Issue (repayment) of note payable	(225,000)	225,000
Net change in non-cash working capital balances relating to financing	(70,000)	—
	287,947	330,000
Decrease in cash and term deposits	(155,591)	(37,972)
Cash and term deposits, beginning of period	242,868	280,840
Cash and term deposits, end of period	\$ 87,277	\$ 242,868

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Year ended December 31, 1995 and six-months ended December 31, 1994

General:

AdWall Capital Corp. (the "Corporation" or "AdWall Capital") was incorporated as 628839 Alberta Inc. under the Business Corporations Act of Alberta on October 18, 1994. On March 24, 1995 the Corporation concluded a public offering of Common Shares pursuant to the Junior Capital Pool program of The Alberta Stock Exchange and the Alberta Securities Commission. The Corporation changed its name to AdWall Capital Corp. on January 10, 1995. The Corporation commenced operations effective July 6, 1995 on the completion of its major transaction, being the acquisition of 83.6% of the outstanding shares of AdWall Advertising Systems Corporation ("AdWall Advertising").

AdWall Advertising was formed to develop a new advertising and communications medium that uses computer monitors to deliver high-impact messages to targeted consumer audiences. In multi-monitor configurations the AdWall software creates, in effect, a single, large-scale computer monitor for the display of digitally-created graphic and text images.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation since its initial capitalization on December 20, 1994 and those of its 83.6%-owned subsidiary corporation, AdWall Advertising, for the full eighteen-month period ended December 31, 1995. The acquisition of AdWall Advertising by the Corporation on July 6, 1995 (see note 2) represented the combination of businesses under substantial common control. Accordingly, this transaction has been accounted for by consolidating the historical book values of the assets and liabilities of the corporations and their historical operating results on a retroactive basis.

AdWall Advertising had commenced operations on or about July 1, 1993 and reported its first year-end on June 30, 1994. The consolidated operating results therefore effectively reflect a change of year-end in 1994 from June 30 to December 31.

(b) Capital assets:

Capital assets are recorded at cost. Depreciation is provided on a declining-balance basis at the following annual rates:

Asset	Rate
Office furniture and equipment	20%
Computer equipment	30%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

1. Significant accounting policies (continued):

(c) Deferred development costs:

Direct development costs, including development equipment and net of incidental revenue, have been deferred and will be amortized on a straight-line basis over a five-year period commencing on the achievement of a commercial level of operations. All other costs associated with market analysis, product demonstrations, financing and administration have been expensed to operations.

2. Business combination:

On July 6, 1995 the Corporation acquired 83.6% of the outstanding shares of AdWall Advertising in exchange for 5,090,000 Common Shares of the Corporation. These shares were assigned a value of \$2,411,236 based on the book values of AdWall Advertising. This transaction has been accounted for by consolidating the historical book values of the Corporation and their historical operating results on a retroactive basis (see note 1(a)), as follows:

	AdWall Capital	AdWall Advertising
Cash and term deposits (bank indebtedness)	\$ 309,383	\$ (1,989)
Accounts receivable and prepaid expenses	4,968	19,417
Capital assets	—	68,806
Deferred development costs	—	1,349,096
Accounts payable and note payable	(28,426)	(248,005)
Minority interest	—	(194,963)
Share capital	(285,925)	(2,383,044)
Deficit	—	1,390,682

3. Capital assets:

	Cost	Accumulated depreciation	Net book value
December 31, 1995			
Office furniture and equipment	\$ 64,816	\$ 28,722	\$ 36,094
Computer equipment	39,897	23,301	16,596
Leasehold improvements	6,325	3,162	3,163
	\$ 111,038	\$ 55,185	\$ 55,853
December 31, 1994			
Office furniture and equipment	\$ 70,351	\$ 19,699	\$ 50,652
Computer equipment	40,336	16,189	24,147
Leasehold improvements	6,830	—	6,830
	\$ 117,517	\$ 35,888	\$ 81,629

4. Share capital:

(a) Authorized:

- (i) Unlimited number of Preferred Shares, issuable in series.
- (ii) Unlimited number of voting Common Shares.

(b) Issued:

	Year ended Dec. 31, 1995		Six months ended Dec. 31, 1994	
	Shares	Amount	Shares	Amount
Common Shares:				
Beginning of period, as previously stated	2,000,000	\$ 100,000	—	\$ —
As consideration for the purchase of AdWall Advertising (note 2)	5,090,000	2,411,236	5,090,000	2,411,236
Beginning of period, restated	7,090,000	2,511,236	5,090,000	2,411,236
Issued for cash, on incorporation	—	—	2,000,000	100,000
Issued for cash	5,581,818	705,000	—	—
Issued for services rec'd	94,500	18,900	—	—
End of period	12,766,318	3,235,136	7,090,000	2,511,236
Share issue costs		(169,145)		(28,192)
		\$ 3,065,991		\$ 2,483,044

Included in Common Shares issued for cash and as consideration for the purchase of Adwall Advertising are 2,951,818 shares issued to various officers and directors of the Corporation at prices between \$0.05 and \$0.55 per share.

(c) Options and warrants:

- (i) At December 31, 1995 options were outstanding to purchase 1,075,000 Common Shares, exercisable at prices between \$0.10 and \$0.425 per share and expiring at various times up to September 1, 2000.
- (ii) At December 31, 1995 90,909 warrants were outstanding. One warrant enables the holder to purchase one Common Share at an exercise price of \$0.80 per share up to the expiry date on December 1, 1997.

5. Related party transactions:

During 1995 the Corporation paid consulting fees totalling \$134,975 (1994 - \$99,845) to various officers, directors and shareholders of the Corporation.

6. Income taxes:

At December 31, 1995 the Corporation had non-capital losses of approximately \$2,000,000 available to reduce future taxable income, the benefit of which has not been recognized in these financial statements. These losses expire in varying amounts from the year 2001 to 2002.

Corporate tax returns are subject to assessment by Revenue Canada in the normal course of business. The results of any assessments will be accounted for as a charge to earnings when realized.

7. Commitment:

The Corporation is committed to making payments, aggregating approximately \$57,000, during 1996, for leased premises and under a consulting agreement .

8. Contingency:

During 1995 AdWall Advertising received funds totalling \$193,011 relating to a Scientific Research and Experimental Development tax credit claim with respect to the year ended June 30, 1994. AdWall Advertising anticipates submitting a further claim in this regard, totalling approximately \$70,000, with respect to activities conducted subsequent to June 30, 1994. No portion of this anticipated claim has been recognized in these financial statements. Any funds received as a result of this claim will be accounted for as a reduction in deferred development costs in the period in which the funds are received.

9. Subsequent events:

- (a) Subsequent to year-end the Corporation entered into formal contracts with Cambridge Shopping Centers Limited ("Cambridge") for the supply, installation and operation of a digital display advertising network in shopping centers across Canada. The contracts are for a five-year term and provide exclusivity for the Corporation to provide networked digital display advertising in participating shopping centers. The contracts call for the placement of approximately 475 individual digital display units with installation scheduled to commence in the summer or fall of 1996.



9. Subsequent events (continued):

- (b) Subsequent to year-end the Corporation purchased leasehold improvements and access rights relating to the Cambridge mall locations (see note 9(a)) from T-Ad Ltd. for cash consideration of \$1,020,000 and the issuance of 1,500,000 Common Shares of the Corporation with an assigned price of \$0.55 per share. As part of the terms of the purchase agreement, a penalty of \$300,000 will be assessed should the Corporation be unable to raise gross proceeds of \$3,000,000 through equity or debt financing by May 31, 1996. As well, a penalty payable through the issuance of 320,000 Common Shares of the Corporation will be assessed should the Common Shares not close on The Alberta Stock Exchange for a total of five trading days at a price greater than \$0.675.

The Corporation also entered into an exclusive sales agency agreement with T-Ad Ltd. which, in conjunction with the Cambridge contracts, provides for the replacement of existing static mall poster units with digital display units.

- (c) Effective February 26, 1996 Adwall Advertising completed a financing whereby it sold 3,086,369 units, at a price of \$0.55 per unit, for total proceeds of approximately \$1,700,000. Each unit consists of four Common Shares of AdWall Advertising and two Common Share purchase warrants. Each Common Share purchase warrant will entitle the holder to acquire one additional Common Share of AdWall Advertising for \$0.20 until the expiry date of December 1, 1997.

Consolidated Schedule of Deferred Development Costs

	Year ended Dec. 31, 1995	Six months ended Dec. 31, 1994
Consulting fees, salaries and benefits (note 5)	\$ 164,515	\$ 51,582
Wall equipment	27,633	7,511
Rent and utilities	12,213	21,954
Telephone and communications	7,656	11,123
Software development	6,990	18,360
General office	5,266	14,372
Wall computer equipment	—	51,283
Repairs and maintenance	—	9,904
	224,273	186,089
Investment tax credits (note 8)	(193,011)	—
Incidental revenue	(29,276)	(5,100)
	1,986	180,989
Balance, beginning of period	1,422,323	1,241,334
Balance, end of period	\$ 1,424,309	\$ 1,422,323



Corporate Information

Head Office

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Chairman and C.E.O.

W. Craig Riley
President and C.O.O.

Alan M. Ackerman
Director

Bruno D. Di Spirito
Director

Ken Williams
Director

Officers

Michael L. MacDonald
Chairman & C.E.O.

W. Craig Riley
President & C.O.O.

Barrie W. Wilson
Vice President & C.F.O.

John D. Stewart
Vice President, Advertising & Network Development

Stuart M. Olley
Secretary

Registrar & Transfer Agent

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Legal Counsel

Code Hunter Wittmann
Calgary, Alberta

Auditors

KPMG Peat Marwick Thorne
Calgary, Alberta

Stock Exchange Listing

The Alberta Stock Exchange

Trading Symbol

WOW

